

### Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name White Pigeon Community Schools	County St. Joseph
Fiscal Year End June 30, 2006	Opinion Date October 26, 2006	Date Audit Report Submitted to State December 5, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

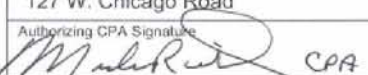
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	Schedule of Compliance Findings	
Other (Describe)	<input checked="" type="checkbox"/>	Govt. Auditing Stds. Report on Internal Controls and Compliance	
Certified Public Accountant (Firm Name) Norman & Paulsen, P.C.		Telephone Number 269-651-3228	
Street Address 127 W. Chicago Road		City Sturgis	State MI
Authorizing CPA Signature  CPA		Printed Name Michael R. Wilson	License Number 1101017570

WHITE PIGEON COMMUNITY SCHOOLS

FINANCIAL REPORT  
WITH SUPPLEMENTAL INFORMATION

JUNE 30, 2006

# White Pigeon Community Schools

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## White Pigeon Community Schools

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**Norman & Paulsen, P.C.**

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
White Pigeon Community Schools, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of White Pigeon Community Schools, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of White Pigeon Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of White Pigeon Community Schools as of June 30, 2006, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Donald L. Paulsen, CPA  
Patrick J. Monahan, CPA  
Bruce S. A. Gosling, CPA  
Michael R. Wilson, CPA  
Rick L. Strawser, CPA  
Jerrel T. Norman (1941-1982)

Board of Education  
White Pigeon Community Schools

The administration's discussion and analysis and budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise White Pigeon Community Schools basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2006, on our consideration of White Pigeon Community School's internal control over financial reporting and on our tests of it's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Norman J. Paulsen, P.C.*

October 26, 2006

WHITE PIGEON COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS  
YEAR ENDED June 30, 2006

This section of White Pigeon Community Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2006. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand White Pigeon Community Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

*Management's Discussion and Analysis (MD&A)*  
*(Required Supplemental Information)*

**Basic Financial Statements**

*District-wide Financial Statements      Fund Financial Statements*

*Notes to the Basic Financial Statement*

*(Required Supplemental Information)*

*Budgetary Information for the General Fund and Major Special Revenue Funds*

*Other Supplemental Information*

**Reporting the School District as a whole - District-wide Financial Statements**

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.



## WHITE PIGEON COMMUNITY SCHOOLS

### ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED June 30, 2006

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

#### **Reporting the School District's Most Significant Funds - Fund Financial Statements**

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.



WHITE PIGEON COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED June 30, 2006

**The School District as Trustee - Reporting the School District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2006 and 2005:

TABLE I	June 30,	
	<u>2006</u>	<u>2005</u>
Assets		
Current and other assets	\$ 3,095,929	\$ 3,449,970
Capital assets - Net of accumulated depreciation	<u>1,873,322</u>	<u>1,892,470</u>
Total assets	4,969,251	5,342,440
Liabilities		
Current liabilities	2,295,311	2,467,139
Long-term liabilities	<u>103,488</u>	<u>107,247</u>
Total liabilities	2,398,799	2,574,386
Net Assets		
Invested in property and equipment - net of related debt	1,797,256	1,765,390
Unrestricted	<u>773,196</u>	<u>1,002,664</u>
Total net assets	<u>\$ 2,570,452</u>	<u>\$ 2,768,054</u>

WHITE PIGEON COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED June 30, 2006

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$2,570,452 at June 30, 2006. Capital assets, net of related debt totaling \$1,797,256 compares the original cost, less depreciation of the School District's capital assets to long-term debt. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets \$773,196 was unrestricted.

The \$773,196 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years ended June 30, 2006 and 2005.

TABLE 2

	June 30,	
	<u>2006</u>	<u>2005</u>
Revenue		
Program revenue:		
Charges for services	\$ 282,950	\$ 395,966
Grants and catagoricals	1,011,135	1,038,068
General revenue:		
Property taxes	1,933,426	1,779,663
State foundation allowance	4,050,485	4,217,739
Interest and other	<u>192,363</u>	<u>140,863</u>
Total revenue	7,470,359	7,572,299
<b>Function/Program Expenses</b>		
Instruction	4,600,636	4,107,795
Support services	2,336,022	2,517,372
Food services	317,927	300,261
Athletics	183,670	194,779
Community services	38,170	28,555
Interest on long-term debt	8,658	1,387
Depreciation (unallocated)	<u>182,878</u>	<u>177,699</u>
Total expenses	<u>7,667,961</u>	<u>7,327,848</u>
Increase in net assets	<u>\$ (197,602)</u>	<u>\$ 244,451</u>

WHITE PIGEON COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED June 30, 2006

As reported in the statement of activities, the cost of all governmental activities this year was \$7,667,961. Certain activities were partially funded from those who benefited from the programs \$(282,950) or by other governments and organizations that subsidized certain programs with grants and categoricals \$(1,011,135). We paid for the remaining "public benefit" portion of our governmental activities with \$1,933,426 in taxes, \$4,050,485 is State foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced a decrease in net assets of \$197,602. Key reasons for the change in net assets were decreases in state foundation revenue and increased instruction costs. The decrease in net assets differs from the change in fund balance and a reconciliation appears on page 15.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted sources.

**The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$678,876, which is a decrease of \$373,228 from last year. In the General Fund, our principal operating fund, the fund balance decreased \$373,228 to \$678,876. This decrease was primarily the result of lower pupil counts, and purchases of capital assets.

Our Food Service Fund and Athletics Fund are maintained at a zero fund balance and were supported by transfers of \$159,508 from the General Fund.

WHITE PIGEON COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED June 30, 2006

**General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

Budgeted revenues were decreased \$75,765, to better reflect state per student foundation funding and adjustments to categorical funding. Actual revenues were within \$24,296 of final budgeted revenues or .34 percent.

Budgeted expenditures were increased by \$168,492, to better reflect expected increases in salaries, benefits, fuel, and utilities. Actual expenditures ended the year under the final budget by \$197,652 or 2.7 percent.

**Capital Asset and Debt Administration**

Capital Assets

At June 30, 2006, the School District had \$5,512,773 invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions and disposals) of \$76,135 from last year.

	<u>2006</u>	<u>2005</u>
Land	\$ 81,600	\$ 100,800
Buildings and improvements	3,658,970	3,950,291
Buses and other vehicles	1,010,062	938,013
Furniture and equipment	<u>762,141</u>	<u>599,804</u>
Total capital assets	5,512,773	5,588,908
Less accumulated depreciation	<u>3,639,451</u>	<u>3,696,438</u>
Net capital assets	<u>\$ 1,873,322</u>	<u>\$ 1,892,470</u>

WHITE PIGEON COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED June 30, 2006

Debt

At the end of this year, the School District had long-term debt obligations totaling \$128,775 outstanding versus \$176,261 in the previous year - a change of 26.9 percent. The debt obligations consisted of the following:

	<u>2006</u>	<u>2005</u>
General Obligation Bonds	\$ 34,066	\$ 53,100
Notes payable	42,000	73,980
Severance pay agreements/ compensated absences	<u>52,709</u>	<u>49,181</u>
	<u>\$ 128,775</u>	<u>\$ 176,261</u>

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

**Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

The financial status of the State of Michigan may result in future Executive Order Cuts from the Governor.

Increases in the employer contribution to the Michigan Public School Employees Retirement System, as well as increased premiums for health insurance will significantly affect the District's finances.

Increases in heating fuel costs and transportation fuel costs.

**Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Department, 410 E. Prairie Street, White Pigeon, MI 49099.

WHITE PIGEON COMMUNITY SCHOOLS

STATEMENT OF NET ASSETS  
JUNE 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 2,074,142
Accounts receivable	17,800
Due from other governmental units	831,599
Notes receivable	147,029
Inventories	<u>25,359</u>
Total current assets	3,095,929
Noncurrent Assets:	
Capital assets	5,512,773
Less: accumulated depreciation	<u>(3,639,451)</u>
Total noncurrent assets	<u>1,873,322</u>
Total assets	4,969,251
<u>LIABILITIES</u>	
Current Liabilities:	
Short-term note payable	1,500,000
Accounts payable	48,346
Accrued payroll	435,644
Accrued benefits	219,385
Accrued interest	43,678
Deferred revenue	22,971
Notes payable, due within one year	4,214
Bonds payable, due within one year	3,500
Other obligations	<u>17,573</u>
Total current liabilities	2,295,311
Noncurrent Liabilities:	
Other obligations	35,136
Notes payable	38,500
Bonds payable	<u>29,852</u>
Total noncurrent liabilities	<u>103,488</u>
Total liabilities	2,398,799
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	1,797,256
Unrestricted	<u>773,196</u>
Total net assets	<u><u>\$ 2,570,452</u></u>

See Notes to Financial Statements

WHITE PIGEON COMMUNITY SCHOOLS

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

		<u>Program Revenues</u>		<u>Governmental</u>
				<u>Activities</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Net (Expense)</u>
		<u>Services</u>	<u>Grants/</u>	<u>Revenue and</u>
			<u>Contributions</u>	<u>Changes in Net</u>
				<u>Assets</u>
Functions/Programs				
Governmental activities:				
Instruction	\$ 4,600,636	\$ 123,197	\$ 751,420	\$ (3,726,019)
Support services	2,336,022	2,691	20,726	(2,312,605)
Food services	317,927	117,798	199,537	(592)
Athletics	183,670	32,289	-	(151,381)
Community services	38,170	6,975	30,943	(252)
Interest on long-term debt 8,658	-	8,509	(149)	
Depreciation (unallocated)	<u>182,878</u>	<u>-</u>	<u>-</u>	<u>(182,878)</u>
Total Governmental activities	<u>\$ 7,667,961</u>	<u>\$ 282,950</u>	<u>\$ 1,011,135</u>	<u>(6,373,876)</u>
General revenues:				
Taxes				
Property taxes, levied for general operations				1,933,426
State aid not restricted to specific purposes				4,050,485
Interest and investment earnings				77,407
Gain on sale of assets				92,690
Other				<u>22,266</u>
Total general revenues				<u>6,176,274</u>
Change in Net Assets				(197,602)
Net Assets - Beginning of year				<u>2,768,054</u>
Net Assets - End of year				<u>\$ 2,570,452</u>

See Notes to Financial Statements



WHITE PIGEON COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2006

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,072,537	\$ 1,605	\$ 2,074,142
Accounts receivable	17,712	88	17,800
Due from other governmental units	831,599	-	831,599
Due from other funds	5,913	-	5,913
Inventories	<u>20,120</u>	<u>5,239</u>	<u>25,359</u>
Total assets	<u>\$ 2,947,881</u>	<u>\$ 6,932</u>	<u>\$ 2,954,813</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Short-term note payable	\$ 1,500,000	\$ -	\$ 1,500,000
Accrued interest	43,678	-	43,678
Accounts payable	48,346	-	48,346
Accrued payroll	434,822	822	435,644
Accrued benefits	219,188	197	219,385
Due to other funds	-	5,913	5,913
Deferred revenue	<u>22,971</u>	<u>-</u>	<u>22,971</u>
Total liabilities	2,269,005	6,932	2,275,937
Fund Balances:			
Reserved:			
Inventories	20,120	-	20,120
Unreserved:			
Designated for curriculum	7,000	-	7,000
Designated for technology	57,154	-	57,154
Undesignated	<u>594,602</u>	<u>-</u>	<u>594,602</u>
Total fund balances	<u>678,876</u>	<u>-</u>	<u>678,876</u>
Total liabilities and fund balances	<u>\$ 2,947,881</u>	<u>\$ 6,932</u>	<u>\$ 2,954,813</u>

See Notes to Financial Statements

WHITE PIGEON COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006

Total Fund Balances - Governmental Funds \$ 678,876

Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in governmental activities are not  
financial resources and are not reported in the funds.

The cost of the capital assets is 5,512,773

Accumulated depreciation is (3,639,451)

Total 1,873,322

Long-term liabilities are not due and payable in the  
current period and are not reported in the funds:

Other obligations (52,709)

Notes payable (42,000)

Bonds payable (34,066)

Accrued interest payable on long-term liabilities is not  
included as a liability in governmental activities -

Notes receivable are not due and receivable in the  
current period and are not reported in the funds 147,029

Net assets of governmental activities \$ 2,570,452

See Notes to Financial Statements

WHITE PIGEON COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED June 30, 2006

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:			
Local sources	\$ 2,095,098	\$ 150,087	\$ 2,245,185
State sources	4,555,239	47,319	4,602,558
Federal sources	279,301	179,761	459,062
Interdistrict	77,455	-	77,455
Other	<u>-</u>	<u>380</u>	<u>380</u>
Total revenues	7,007,093	377,547	7,384,640
Expenditures:			
Instruction	4,477,023	-	4,477,023
Supporting services	2,528,284	-	2,528,284
Food service	-	325,842	325,842
Athletics	-	183,670	183,670
Community services	43,290	-	43,290
Debt service			
Principal repayment	10,380	19,034	29,414
Interest and fiscal charges	408	8,509	8,917
Interdistrict	<u>161,428</u>	<u>-</u>	<u>161,428</u>
Total expenditures	<u>7,220,813</u>	<u>537,055</u>	<u>7,757,868</u>
Excess (deficiency) of revenues over expenditures	(213,720)	(159,508)	(373,228)
Other financing sources (uses):			
Operating transfers in	-	159,508	159,508
Operating transfers out	<u>(159,508)</u>	<u>-</u>	<u>(159,508)</u>
Total other financing sources (uses)	<u>(159,508)</u>	<u>159,508</u>	<u>-</u>
Net change in fund balances	(373,228)	-	(373,228)
Fund balances, July 1	<u>1,052,104</u>	<u>-</u>	<u>1,052,104</u>
Fund balances, June 30	<u>\$ 678,876</u>	<u>\$ -</u>	<u>\$ 678,876</u>

See Notes to Financial Statements

WHITE PIGEON COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

Net change in Fund Balances - Total Governmental Funds	\$	(373,228)
--	----	-----------

Amounts reported for governmental activities in the  
statement of activities are different because:

Governmental funds report capital outlays as  
expenditures; in the statement of activities,  
these costs are allocated over their estimated  
useful lives as depreciation.

Depreciation expense	(182,878)
----------------------	-----------

Capital outlays	<u>246,640</u>
-----------------	----------------

Total	63,762
-------	--------

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	259
--	-----

Gain on sale of assets is reported for governmental activities in the statement of activities, but not in the governmental funds (where proceeds are reported as income)	92,690
--	--------

Increases in compensated absences and accumulated severance pay are reported as expenditures when financial resources are used in the governmental funds	(3,528)
--	---------

Repayment of bond principal and note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	51,014
--	--------

Proceeds from the sale of capital assets is a local revenue in the government funds, but not in the statement of activities (where proceeds are netted against carrying value to calculate gain)	<u>(28,571)</u>
---	-----------------

Change in Net Assets of Governmental Activities	<u>\$</u>	<u>(197,602)</u>
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See Notes to Financial Statements

WHITE PIGEON COMMUNITY SCHOOLS  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2006

	Student Activities <u>Agency Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 57,964</u>
<u>LIABILITIES</u>	
Due to student groups	<u>\$ 57,964</u>

See Notes to Financial Statements

WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**Note - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of White Pigeon Community Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

**District-Wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**District-Wide Statements** - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customer or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

**Fund-based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.



WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The school district reports the following major governmental funds:

The General Fund is the school district's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

The Debt Service Fund is used to record tax, interest and other revenue for payments of principle, interest and other expenditures on the bond issues.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Athletic Fund and Food Services Fund.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

**Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The school district does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

**Compensated Absences** - The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**Long-Term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data/Reclassifications** - Comparative data is not included in the district's financial statements.

**Use of Estimates** - The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements. Actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The School district did not have significant expenditure budget variances.

WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The School District's cash and cash equivalents at June 30, 2006, are composed of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Deposits	<u>\$ 2,074,142</u>	<u>\$ 57,964</u>	<u>\$ 2,132,106</u>

Deposits consist of checking, savings, and bank municipal investment funds. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$2,239,911. Of that amount, \$118,821 was covered by federal depository insurance coverage. The balance of \$2,121,090 was invested in bank municipal investment funds which are not categorized by risk.

The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. The School District evaluates each financial institution it deposits School District funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**NOTE 4 - NOTES RECEIVABLE**

On September 13, 2005, the District sold an unused building and lot to an unrelated party on an installment note. The sale was for an installment note in the amount of \$154,000, at an interest rate of 7%, and the buyer assumed a note payable to a governmental unit of \$21,600. The note payable was a special assessment against the property purchased. Payments on this note are to be paid \$1,500 per month including interest, with the entire balance to be paid at the end of twelve months. At June 30, 2006, the balance receivable on the note was \$147,029.

The cost of the building, land, and equipment sold by the district was \$322,775. At the time of the sale, the capital assets had a carrying value of \$82,910. The school district recognized a gain on the sale of the capital assets of \$92,690.

WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**NOTE 5 - DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue include unearned grant and categorical aid payments received prior to meeting all eligibility requirements in the amount of \$22,971.

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity of the School District's governmental activities was as follows:

	Balance <u>July 1, 2005</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2006</u>
Assets not being depreciated - Land	\$ 100,800	\$ -	\$ 19,200	\$ 81,600
Capital assets being depreciated:				
Buildings and building improvements	3,950,291	-	291,321	3,658,970
Buses and other vehicles	938,013	72,049	-	1,010,062
Furniture and equipment	<u>599,804</u>	<u>174,591</u>	<u>12,254</u>	<u>762,141</u>
Subtotal	5,488,108	246,640	303,575	5,431,173
Accumulated depreciation:				
Buildings and building improvements	2,515,613	50,639	227,611	2,338,641
Buses and other vehicles	779,626	59,697	-	839,323
Furniture and equipment	<u>401,199</u>	<u>72,542</u>	<u>12,254</u>	<u>461,487</u>
Subtotal	<u>3,696,438</u>	<u>182,878</u>	<u>239,865</u>	<u>3,639,451</u>
Net capital assets being depreciated	<u>1,791,670</u>			<u>1,791,722</u>
Net capital assets	<u>\$ 1,892,470</u>			<u>\$ 1,873,322</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due To/From Other Funds:		
General Fund	Other governmental funds	\$ <u>5,913</u>
Interfund Transfers:		
Transfer in:	Transfer Out:	
Other governmental funds	General Fund	\$ <u>159,508</u>

**NOTE 8 - SHORT-TERM DEBT**

Short-term note payable to bank, due August 18, 2006, interest at 2.92%	\$ <u>1,500,000</u>
--	---------------------

**NOTE 9 - LONG-TERM DEBT**

The school district issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school district. Other long-term obligations include compensated absences and voluntary severance pay agreements.

Long-term obligation activity can be summarized as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds	\$ 53,100	\$ -	\$ 19,034	\$ 34,066	\$ <u>4,214</u>
Notes	73,980	-	31,980	42,000	\$ <u>3,500</u>
Other Obligations	<u>49,181</u>	<u>21,814</u>	<u>18,286</u>	<u>52,709</u>	\$ <u>17,573</u>
Totals	\$ <u>176,261</u>	\$ <u>21,814</u>	\$ <u>69,300</u>	\$ <u>128,775</u>	



WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE 9 - LONG-TERM DEBT - (Continued)**

The annual requirement to service the bonds and notes outstanding to maturity, including both principal and interest, are as follows:

Year ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 7,714	\$ 1,622	\$ 9,336
2008	7,915	1,421	9,336
2009	8,126	1,211	9,337
2010	8,346	991	9,337
2011	8,577	760	9,337
Thereafter	<u>35,388</u>	<u>784</u>	<u>36,172</u>
	<u>\$ 76,066</u>	<u>\$ 6,789</u>	<u>\$ 82,855</u>

Governmental Activities:

General obligation bonds consist of:

\$83,117 School Improvement Bond (Durant Settlement) the annual principal and interest payments are to be paid directly by the state of Michigan \$ 34,066

Notes payable consist of:

Note payable to Intermediate School District, annual payments of \$3,500 through June 2018, no stated interest rate, unsecured \$ 42,000

Other governmental activity long-term obligations include:

Employee - compensated absences \$ 19,990

Accumulated severance pay payable at \$17,573 in 2007 and \$7,573 in 2008 and 2009 32,719

Total other obligations \$ 52,709

**NOTE 10- RISK MANAGEMENT**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property loss, torts, errors and omissions, and medical claims for certain employee groups. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE 11- DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS**

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

**Funding Policy** - Employer contributions to the system result from the implementing effect of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 14.87 percent for the period July 1, 2005 through September 30, 2005 and 16.34 percent for the period October 1, 2005 through June 30, 2006 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPERS plan for the years ended June 30, 2006, 2005, and 2004 were \$647,329, \$575,177, and \$569,290.

**Post Employment Benefits** - Under the MPERS Act, all retirees participating in the MPERS Pension Plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPERS plan discussed above.

**REQUIRED SUPPLEMENTAL INFORMATION**

WHITE PIGEON COMMUNITY SCHOOLS

REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual	Over (under) Final Budget
Revenues:				
Local sources	\$ 1,738,800	\$ 2,028,420	\$ 2,095,098	\$ 66,678
State sources	4,866,512	4,574,169	4,555,239	(18,930)
Federal sources	251,750	300,602	279,301	(21,301)
Interdistrict	<u>201,500</u>	<u>79,606</u>	<u>77,455</u>	<u>(2,151)</u>
Total revenue	7,058,562	6,982,797	7,007,093	24,296
Expenditures:				
Instruction:				
Basic programs	3,654,687	3,647,325	3,591,600	(55,725)
Added needs	753,430	893,653	885,423	(8,230)
Support services:				
Pupil	212,568	132,108	132,348	240
Instructional staff	133,569	131,582	118,697	(12,885)
General administration	254,890	231,134	217,528	(13,606)
School administration	436,667	398,941	392,409	(6,532)
Business services	240,764	206,831	204,075	(2,756)
Operations and maintenance	709,569	802,871	768,250	(34,621)
Security services	-	46,370	47,363	993
Transportation	532,075	569,519	519,294	(50,225)
Other services	71,516	129,595	128,320	(1,275)
Community services	26,500	55,067	43,290	(11,777)
Debt service	7,900	7,289	10,788	3,499
Interdistrict	<u>215,388</u>	<u>166,180</u>	<u>161,428</u>	<u>(4,752)</u>
Total expenditures	<u>7,249,523</u>	<u>7,418,465</u>	<u>7,220,813</u>	<u>(197,652)</u>
Excess (deficiency) of revenues over expenditures	(190,961)	(435,668)	(213,720)	221,948
Other financing sources (uses):				
Operating transfers out	<u>(165,477)</u>	<u>(161,632)</u>	<u>(159,508)</u>	<u>2,124</u>
Net change in fund balances	(356,438)	(597,300)	(373,228)	224,072
Fund balance, July 1	<u>1,052,104</u>	<u>1,052,104</u>	<u>1,052,104</u>	<u>-</u>
Fund balance, June 30	<u>\$ 695,666</u>	<u>\$ 454,804</u>	<u>\$ 678,876</u>	<u>\$ 224,072</u>

## OTHER SUPPLEMENTAL INFORMATION

WHITE PIGEON COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF REVENUES  
YEAR ENDED JUNE 30, 2006

REVENUES

Revenues from local sources	
Current property taxes	\$ 1,933,426
Interest on investments	77,407
Tuition and fees	18,850
Transportation charges	36,558
Miscellaneous revenues	<u>28,857</u>
Total revenues from local sources	2,095,098
Revenues from state sources	
Foundation	4,031,451
Early childhood education	115,500
At Risk	192,421
Special education	175,625
Durant Settlement	8,312
Motorcycle safety	30,943
Bus driver training	<u>987</u>
Total revenues from state sources	4,555,239
Revenues from federal sources	
Title I	188,910
Title IIA Improving Teacher Quality	48,576
Title V Innovative Programs	13,371
Technology Literacy	3,346
Drug-Free Schools	4,301
Targeted Case Management	71
Homeland Security	<u>20,726</u>
Total revenues from federal sources	279,301
Revenues from other districts	
Transportation	2,691
CTE program	71,264
Miscellaneous	<u>3,500</u>
Total revenues from other districts	<u>77,455</u>
Total revenues	<u>\$ 7,007,093</u>

WHITE PIGEON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF OPERATING EXPENDITURES  
YEAR ENDED JUNE 30, 2006

INSTRUCTION

Basic Programs

Elementary	
Salaries	\$ 1,170,395
Employee benefits	614,673
Purchased services	1,691
Supplies and materials	23,557
Capital outlay	<u>8,084</u>
Total elementary instruction expenditures	1,818,400

Middle School

Salaries	405,641
Employee benefits	194,890
Purchased services	1,995
Supplies and materials	3,708
Capital outlay	-
Other	<u>-</u>
Total middle school instruction expenditures	606,234

High School

Salaries	666,994
Employee benefits	318,466
Purchased services	15,925
Supplies and materials	21,728
Capital outlay	29,731
Other	<u>-</u>
Total high school instruction expenditures	1,052,844

Pre-school

Salaries	81,425
Employee benefits	32,786
Purchased services	111
Supplies and materials	<u>(200)</u>
Total pre-school instructional expenditures	<u>114,122</u>

Total basic programs	3,591,600
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WHITE PIGEON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2006

INSTRUCTION - Continued

Added Needs

Special education	
Salaries	307,997
Employee benefits	131,581
Purchased services	68
Supplies and materials	<u>892</u>
Total special education instruction expenditures	440,538

Compensatory education

Salaries	103,051
Employee benefits	39,628
Purchased services	17,043
Supplies and materials	11,299
Capital outlay	-
Other	<u>18,025</u>

Total compensatory education instruction expenditures	189,046
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At Risk education

Salaries	117,778
Employee benefits	62,157
Purchased services	960
Supplies and materials	<u>3,501</u>

Total at risk education instruction expenditures	184,396
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Other programs

Salaries	47,373
Employee benefits	<u>24,070</u>

Total other programs education instruction expenditures	<u>71,443</u>
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Total added needs	<u>885,423</u>
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Total instruction expenditures	4,477,023
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WHITE PIGEON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2006

SUPPORTING SERVICES

Pupil Services

Guidance services

Salaries	67,606
Employee benefits	<u>36,233</u>

Total guidance services	103,839
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Student supervision services

Salaries	24,005
Employee benefits	4,319
Supplies and materials	<u>185</u>

Total student supervision services	<u>28,509</u>
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Total pupil services	132,348
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Instructional Staff Services

Library services

Salaries	33,221
Employee benefits	7,978
Purchased services	1,045
Supplies and materials	<u>2,080</u>

Total library expenditures	44,324
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Improvement of Instruction Services

Salaries	15,456
Employee benefits	3,376
Purchased services	20,309
Supplies and materials	33,725
Other	<u>1,507</u>

Total improvement of instruction services	<u>74,373</u>
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Total instructional staff services	118,697
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General Administrative Services

Board of education

Salaries	2,918
Purchased services	25,117
Supplies and materials	8,748
Other	<u>2,872</u>

Total board of education expenditures	39,655
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WHITE PIGEON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2006

SUPPORTING SERVICES - Continued

Executive administration	
Salaries	103,704
Employee benefits	46,345
Purchased services	25,925
Supplies	761
Capital outlay	-
Other	<u>1,138</u>
Total executive administration expenditures	<u>177,873</u>
Total general administrative services	217,528
School Administrative Services	
Office of the Principal	
Salaries	251,330
Employee benefits	125,525
Purchased services	11,493
Supplies and material	1,412
Capital outlay	-
Other	<u>855</u>
Total office of the principal expenditures	390,615
Other School Administration	
Salaries	-
Supplies and materials	<u>1,794</u>
Total other school administration	<u>1,794</u>
Total school administrative services	392,409
Business Services	
Fiscal charges	
Salaries	56,728
Employee benefits	34,124
Purchased services	31,935
Supplies and materials	2,180
Capital outlay	-
Other	<u>79,108</u>
Total business services expenditures	204,075

WHITE PIGEON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2006

SUPPORTING SERVICES - Continued

Operation and Maintenance

Operation and maintenance of plant

Salaries	216,626
Employee benefits	139,984
Purchased services	331,363
Supplies and materials	46,878
Capital outlay	<u>33,399</u>

Total operation and maintenance expenditures	768,250
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Security Services

Capital outlay	47,363
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Pupil Transportation

Pupil transportation services

Salaries	265,443
Employee benefits	93,898
Purchased services	18,759
Supplies and materials	68,465
Capital outlay	72,049
Other	<u>680</u>

Total pupil transportation services	519,294
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Other Services

Staff/personnel services

Purchased services	10,397
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Technology services

Salaries	-
Employee benefits	-
Purchased services	62,507
Supplies and materials	12,437
Capital outlay	<u>42,979</u>

Total technology services	<u>117,923</u>
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Total other services	<u>128,320</u>
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Total supporting services expenditures	2,528,284
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WHITE PIGEON COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND

STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2006

COMMUNITY SERVICES

Motorcycle Safety Program

Salaries	23,868
Benefits	5,573
Purchased services	6,031
Supplies, materials, and other	1,724
Capital outlay	5,120
Other	<u>974</u>

Total community services expenses 43,290

DEBT SERVICE

Principal repayment	10,380
Interest and fiscal charges	<u>408</u>

Total debt service 10,788

OTHER DISTRICTS

CTE program	130,650
Special education	20,000
Other	<u>10,778</u>

Total other districts 161,428

Total operating expenditures \$ 7,220,813

WHITE PIGEON COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2006

	<u>Special Revenue Funds</u>			
	<u>Debt Service Fund</u>	<u>Food Services</u>	<u>Athletics</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ -	\$ 1,350	\$ 255	\$ 1,605
Accounts receivable	-	88	-	88
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
Inventory	-	5,239	-	5,239
Prepaid expenditures	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 6,677</u>	<u>\$ 255</u>	<u>\$ 6,932</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	822	-	822
Accrued benefits	-	197	-	197
Due to other funds	-	5,658	255	5,913
Total liabilities	-	6,677	255	6,932
Fund balances:				
Unreserved:				
Undesignated	-	-	-	-
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 6,677</u>	<u>\$ 255</u>	<u>\$ 6,932</u>

WHITE PIGEON COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006

	<u>Special Revenue Funds</u>			
	<u>Debt Service Fund</u>	<u>Food Services</u>	<u>Athletics</u>	<u>Total</u>
Revenues:				
Local sources	\$ -	\$ 117,798	\$ 32,289	\$ 150,087
State sources	27,543	19,776	-	47,319
Federal sources	-	179,761	-	179,761
Other sources	-	380	-	380
Total revenues	27,543	317,715	32,289	377,547
Expenditures:				
Food services	-	325,842	-	325,842
Athletics	-	-	183,670	183,670
Debt Service:				
Principle repayment	19,034	-	-	19,034
Interest and fiscal charges	8,509	-	-	8,509
Total expenditures	27,543	325,842	183,670	537,055
Excess (deficiency) of revenues over expenditures	-	(8,127)	(151,381)	(159,508)
Other financing sources:				
Operating transfers in	-	8,127	151,381	159,508
Net change in fund balances	-	-	-	-
Fund balances, July 1	-	-	-	-
Fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WHITE PIGEON COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
FOOD SERVICE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 119,115	\$ 117,798	\$ (1,317)
State sources	20,400	19,776	(624)
Federal sources	180,705	179,761	(944)
Other sources	<u>440</u>	<u>380</u>	<u>(60)</u>
Total revenues	320,660	317,715	(2,945)
Expenditures:			
Salaries	117,840	117,493	(347)
Employee benefits	43,510	43,454	(56)
Purchased services	10,619	10,993	374
Supplies, materials and other expenditures	150,129	146,387	(3,742)
Capital outlay	<u>7,515</u>	<u>7,515</u>	<u>-</u>
Total expenditures	<u>329,613</u>	<u>325,842</u>	<u>(3,771)</u>
Excess (deficiency) of revenues over expenditures	(8,953)	(8,127)	826
Other financing sources:			
Operating transfers in	<u>8,953</u>	<u>8,127</u>	<u>(826)</u>
Net change in fund balances	-	-	-
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

WHITE PIGEON COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

ATHLETIC FUND

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 31,958	\$ 32,289	\$ 331
Expenditures:			
Salaries	87,099	87,978	879
Employee benefits	20,660	18,462	(2,198)
Purchased services	61,284	61,665	381
Supplies, materials and other expenditures	15,594	15,565	(29)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>184,637</u>	<u>183,670</u>	<u>(967)</u>
Excess (deficiency) of revenues over expenditures	(152,679)	(151,381)	1,298
Other financing sources:			
Operating transfers in	<u>152,679</u>	<u>151,381</u>	<u>(1,298)</u>
Net change in fund balances	-	-	-
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



WHITE PIGEON COMMUNITY SCHOOLS  
 OTHER SUPPLEMENTAL INFORMATION  
 STUDENT ACTIVITIES AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 YEAR ENDED JUNE 30, 2006

	Balances <u>June 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	Balances <u>June 30, 2006</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ <u>61,919</u>	\$ <u>193,352</u>	\$ <u>197,307</u>	\$ <u>57,964</u>
<u>LIABILITIES</u>				
Due to student groups	\$ <u>61,919</u>	\$ <u>193,352</u>	\$ <u>197,307</u>	\$ <u>57,964</u>

WHITE PIGEON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF BONDED INDEBTEDNESS  
JUNE 30, 2006

1998 SCHOOL IMPROVEMENT BONDS	\$ 83,117
Less:	
Bonds paid in prior years	30,017
Bonds due and paid May 15, 2006	<u>19,034</u>
BALANCE OUTSTANDING - June 30, 2006	<u><u>\$ 34,066</u></u>

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	4.76	\$ 1,622	\$ 4,214	\$ 5,836
2008	4.76	1,421	4,415	5,836
2009	4.76	1,211	4,626	5,837
2010	4.76	991	4,846	5,837
2011	4.76	760	5,076	5,836
2012	4.76	518	5,318	5,836
2013	4.76	<u>265</u>	<u>5,571</u>	<u>5,836</u>
Total		<u><u>\$ 6,788</u></u>	<u><u>\$ 34,066</u></u>	<u><u>\$ 40,854</u></u>

Interest and principal on the bonds of the above issue is payable annually on May 15. As part of the Durant Settlement the annual principal and interest payments are to be made directly by the State of Michigan.



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Jerrel T. Norman (1941-1982)

REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education  
White Pigeon Community Schools, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of White Pigeon Community Schools, as of and for the year ended June 30, 2006, which collectively comprise the White Pigeon Community Schools basic financial statements and have issued our report thereon dated October 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered White Pigeon Community Schools internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether White Pigeon Community Schools financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. They are explained in an additional schedule.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 26, 2006

*Norman & Paulsen, P.C.*



Norman & Paulsen, P.C.

*Certified Public Accountants*

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To the Board of Education  
White Pigeon Community Schools  
White Pigeon, Michigan

In planning and performing our audit of the financial statements of White Pigeon Community Schools for the year ended June 30, 2006, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated October 26, 2006, on the financial statements of White Pigeon Community Schools.

#### **Prior Year Comments - Status**

NONE

#### **Current Year Comments**

##### **01-06 Title I, Improving Basic Programs CFDA#84.010**

Cash management states that only 3 days cash needs may be requested in advance.

The school district requested the last of their Title I funds so that they would have them on hand at June 30, 2006, even though they did not actually spend the funds until August 2006. Funds requested prior to the allowable 3 day time frame were \$2,327.

These funds were spent in August 2006, paying expenditures that had been approved in their budget for this program. Funds were shown as deferred revenue at June 30, 2006.

The business manager at White Pigeon Community Schools was new this fiscal year, and had not received the proper training to understand the rules for requesting federal funds.

The business manager has been given information on all of the requirements for requesting of federal money regarding this program. She has also been given the information on where to look for changes in the requirements for requesting money.

To the Board of Education  
White Pigeon Community Schools  
White Pigeon, Michigan

Auditors believe that having the business manager properly trained in the requirements of the programs will prevent money from being requested in advance of the allowed time frames.

Management agrees with the auditor's recommendation.

**02-06 Title V Part A Innovative Programs CFDA#84.298**

Cash management states that only 3 days cash needs may be requested in advance.

The school district requested the last of their Title V funds so that they would have them on hand at June 30, 2006, even though they did not actually spend these funds until August 2006. Funds requested prior to the allowable 3 day time frame were \$16,545.

These funds were spent in August 2006, paying expenditures that qualified for this program.

The business manager at White Pigeon Community Schools was new this fiscal year, and had not received the proper training to understand the rules for requesting federal funds.

The business manager has been given information on all of the requirements for requesting of federal money regarding this program. She has also been given the information on where to look for changes in the requirements for requesting money.

Auditors believe that having the business manager properly trained in the requirements of the programs will prevent money from being requested in advance of the allowed time frames.

Management agrees with the auditor's recommendation.

**03-06 Title II Part A Teacher and Principal Training and Recruiting CFDA#84.367**

Schools meeting adequate yearly progress are allowed to transfer a portion of their Title II Part A money to other Title Programs if they believe that it will better serve the school. When submitting their budget for the Title Programs, they must show that they intend to do this transfer. If they decide to make changes to what they are going to spend the money on, they must submit an amended budget to the Department of Education.



To the Board of Education  
White Pigeon Community Schools  
White Pigeon, Michigan

When White Pigeon Schools, submitted their Title budgets, they showed that they intended to transfer \$10,000 of their Title II A budget to Title V Innovative Programs. They showed in Title V that they intended to spend this money on teacher seminars, and CPR training. When the program expenditures were reviewed, it was determined that the school system actually transferred \$27,500 of their Title II A money to Title V. They also, did not spend the money on seminars and CPR training, but the money was actually spent to purchase computers and software for the teachers to assist in classroom instruction.

The expenditures and transfers were allowed within the parameters of the Title Programs, however, since they did not conform with the budget that had been submitted for the programs, the budgets should have been amended before the money was spent in this manner.

The Title Coordinator at White Pigeon Schools stated that she had not understood how she was supposed to make these changes in her budget on the computer to report to the Department of Education what she wanted to do. She stated that she had contacted the Department of Education, and had thought they told her that she could make these changes without amending her budget. After this was brought to her attention, she again contacted the Department of Education, and discovered that she did need to amend her budget. She has been instructed to contact the Department and have them give her directions as to how to get this situation taken care of.

We recommend that the Title Coordinator watch closely the expenditures that are charged to the Title Programs, and she should contact the state as soon as is reasonably possible if the school decides that they will not be spending Title money in the manner in which they have it budgeted.

Management agrees with accountant's recommendation.

This report is intended solely for the information and use of White Pigeon Community Schools, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

*Norman J. Paulson, P.C.*